

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 93-008-G - ORDER NO. 93-676 ✓  
JULY 28, 1993

IN RE: Annual Review of the Gas Costs and Gas     ) ORDER  
Purchasing Policies of Piedmont Natural     )  
Gas Company.     )

On October 16, 1991, the Public Service Commission of South Carolina (the Commission) issued its Order No. 91-927 which requires the Commission Staff to make an annual audit of the Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont Natural Gas Company (Piedmont or the Company), report to the Commission the results of Staff's audit, and to make the results available to the Company and the Consumer Advocate for the State of South Carolina (the Consumer Advocate) upon completion. The Staff has reported to the Commission the results of Staff's audit as ordered, and has made available the results of said audit to the Company and to the Consumer Advocate. The matter comes before us for disposition.

By letter dated March 17, 1993, the Executive Director required Piedmont Natural Gas Company to publish at the Company's expense, on or before April 30, 1993, a Notice in newspapers of general circulation, in the affected areas, and provide the Executive Director proof of publication or or before May 17, 1993. Also, the Executive Director requested that the Company furnish,

at Company expense, on or before April 30, 1993, by bill insert or otherwise, a Notice to each customer and provide certification that this notification has been furnished on or before May 17, 1993. By letter dated May 13, 1993, to the Executive Director, Paul C. Gibson of the Company made the requested certifications. No Protests or requests to intervene were received prior to the return date.

The provisions of Order No. 91-927 state that, if Staff takes no exception to the audits, then the Commission will decide if a hearing is necessary on a particular company. Staff took no exception to the audit in the present case, although, Staff did have several recommendations to make. Order No. 91-927 also states that the Staff, the Company, and the Consumer Advocate may make such motions as they shall deem fit, if appropriate. No motions were received from anyone. The Commission believes that it may therefore rule on Staff's recommendations without a hearing, and will do so as follows:

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

1. The Commission in Order No. 92-482 approved the current base cost of gas for Piedmont Natural Gas Company of \$2.575 per dekatherm in the Company's rates. The Gas Department in its report has recommended that the base cost of gas of \$2.575 per dekatherm continue. The \$2.575 per dekatherm reflects the Gas Department's best judgment as to what Piedmont would expect to pay for gas on average for the next twelve (12) months based on Piedmont's average cost for the twelve (12) months ending March

1993 and the nature of the competitive industrial fuels market. The Commission agrees with this reasoning and holds that the current base cost of gas of \$2.575 per dekatherm in the Company's rates shall continue until further Order of this Commission.

2. The Accounting Department of the Commission Staff, as per Staff Accountant Jacqueline Cherry, has recommended an adjustment of \$5,877 to Account No. 253.04. Staff analyzed the balance of \$3,038,061 in that account, and proposed the adjustment of \$5,877 based on the following:

1. Adjustment for sales volumes omitted by the Company in the computation of the South Carolina demand costs recovered through rates for April 1992. The adjustment is a credit correction of \$1,782.
2. Correction of a mathematical error by which the Company did not book all of the PSC Staff adjustments as approved in PSC Order No. 92-482, dated June 29, 1992. This adjustment is a credit correction of \$6,600.
3. Correction for interest expense incorrectly added to Account No. 253.04. Staff adjusted the deferred account with a debit correction of \$2,463.
4. Correction of a mathematical error in computing negotiated losses for May 1992. This amounted to a \$250 debit correction.
5. Adjustment for sales volumes omitted by the Company in the computation of the South Carolina demand costs recovered through rates for June 1992. This adjustment is a credit correction of \$208.

In Staff's opinion, the adjusted balance of \$3,043,938 represents the proper amount to be distributed at some future date and Staff believes that this balance is in compliance with the intent of

Commission Order No. 88-294. The Commission adopts Staff's adjustment of \$5,877 to Account No. 253.04 because of the reasoning stated above.

3. With regard to prudence, the Gas Department, as per Brent Sires, is of the opinion that Piedmont has made prudent decisions in carrying out its supply requirements for meeting both its firm customers demand entitlements and competing with a competitive alternate fuel market. The Gas Department's observations of Piedmont Gas Purchasing Policies indicates that Piedmont has made a number of changes with regard to the purchases of natural gas supplies. Prior to an interim service agreement with Transcontinental Gas Corporation (Transco), Piedmont contracted with Transco under a CD-2 rate schedule for all of its firm gas requirements. As a result of FERC approval of Transco's Revised Stipulation and Agreement with Transco, Piedmont no longer purchases gas under a CD-2 rate schedule. This Revised Stipulation and Agreement essentially transformed the Transco system from a traditional pipeline to a transportation system. It is Piedmont's present policy to continue to use Transco as both a merchant and transport carrier of natural gas. Piedmont has firm demand entitlements with Transco and other suppliers for 358,426 dekatherms. In addition to the contracted quantities on the Transco system, Piedmont has peak shaving capabilities of 229,490 dekatherms per day. Under the firm transportation service (Rate Schedule FT) from Transco, Piedmont is able to take advantage of market responsive priced gas which enables Piedmont to minimize its

gas costs. The Gas Department has reviewed the contracts Piedmont has with suppliers for both long term and monthly spot market supplies, and the Gas Department is of the opinion that the contract provisions are reasonable and represents prudent judgments. The Gas Department also concluded, among other things, that the Company's PGA, the Company's Firm Transportation Program and the Special Program for open transportation are being operated in compliance with the Commission's Orders. Further, the Gas Department recommended continuation of the use of the deferred account because of the volatility of the prices of alternate fuels used by industrial customers. The Gas Department also concludes that we agree that the Company should continue to monitor its firm supply capabilities very closely, especially with regard to future growth on the system and the many changes being experienced in the natural gas industry. The Gas Department also believes that Piedmont should continue its active role in the spot market. Further, the Gas Department concluded that Piedmont is continuing its attempts to get the best terms available in its negotiations with suppliers and in proceedings with FERC. Piedmont has an obligation to maintain adequate supplies at just and reasonable costs. To serve its customers, the Gas Department found that the Company is meeting this responsibility. It should also be noted that Ware F. Schiefer, Senior Vice President of the Company filed testimony concurring with the conclusions reached by Jacqueline Cherry and Brent Sires of the Gas Department.

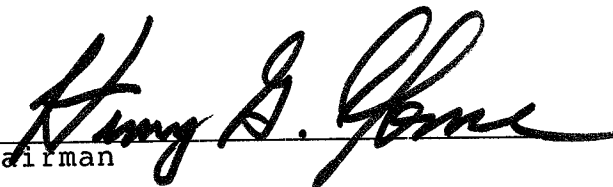
The Commission has examined the reasoning of the Gas

Department in this case and hereby adopts said reasoning. Based upon the above stated reasoning,

IT IS THEREFORE ORDERED THAT:

1. The current cost of gas for Piedmont of \$2.575 per dekatherm shall hereby be continued.
2. The Accounting Staff's proposed adjustment of \$5,877 to Account No. 253.04 is hereby adopted.
3. That the Company's gas purchasing practices and policies are hereby found to be prudent.
4. That the hearing scheduled for August 5, 1993 is hereby cancelled.
5. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)